

OLL85-3423/1
8 November 1985

MEMORANDUM FOR: Director, Office of Personnel

FROM:

Legislation Division
Office of Legislative Liaison

SUBJECT: DOD Proposal to Establish a Revised
Retirement System for New Members of the
Uniformed Services

1. The Office of Management and Budget has requested the views of the Agency on the attached DOD proposed report to Congress on options to reduce military retirement accrual funding in fiscal year 1986. The DOD Authorization bill for FY86 requires the DOD to submit a report to the Congress that contains draft legislation on at least two options to reduce military retirement accrual funding by \$2.9 billion.

2. The DOD in its report strongly opposes any change in its retirement system. The DOD contends that reductions in retirement benefits would harm morale, reduce the rate of recruitment and retention, and lower combat performance. Nevertheless, the DOD has complied with the reporting requirement by proposing two alternative methods for reducing retirement cost by the specified amount. The first method would reduce the accrual rate, but compute retirement benefits based on the employees' 5 highest salary years. The second method would also reduce the accrual rate, but not as much as the first method. Under this second method, retirement benefits would be based on the employees' 3 highest salary years, and there would be a reduction in the cost of living adjustment by reducing the consumer price index used to calculate the COLA by one percentage point. There would also be a one time restoral of the amount lost due to the reduced COLA.

3. It is requested that the Office of Personnel review this proposal and provide this office with your comments by 13 November so that we may incorporate those comments into our final response to OMB.

Attachment as
stated

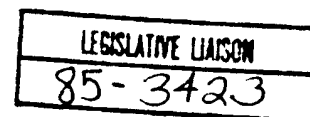
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EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

November 4, 1985

SPECIAL



LEGISLATIVE REFERRAL MEMORANDUM

TO: Legislative Liaison Officer
Office of Personnel Management
Department of Commerce
Department of Health and Human Services
Department of Transportation
Department of State
Central Intelligence Agency

SUBJECT: DOD proposed report to the Congress on Options to Reduce Military Retirement Accrual Funding in Fiscal Year 1986, and two accompanying draft bills: (1) "To establish a revised retirement system for new members of the Uniformed Services"; and (2) "To establish a revised retirement system for new members of the Uniformed Services, to revise the method of determining cost of living adjustments under the revised retirement system, and for other purposes."

The Office of Management and Budget requests the views of your agency on the above subject before advising on its relationship to the program of the President, in accordance with OMB Circular A-19.

A response to this request for your views is needed no later than November 15, 1985.

Questions should be referred to Bill Pichurski (395-3796) or to Hilda Schreiber (395-7362), the legislative analyst in this office.

Naomi R. Sweeney
Naomi R. Sweeney for
Assistant Director for
Legislative Reference

Enclosures